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USSR REVIEW [REDACTED]

15 February 1979

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Changing the Guard in the Council of Ministers [REDACTED] . 6

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The recent deaths of three members of the Soviet Council of Ministers and the retirement of a fourth demonstrate how vulnerable the Soviet governmental gerontocracy has become to natural attrition. [REDACTED]

USSR: Still Another Year of Economic Downturn [REDACTED] . 9

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Final official results released by Moscow indicate that the economy's performance last year--especially during the fourth quarter--was even more sluggish than was suggested by the preliminary data released last fall. [REDACTED]

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Politics of the Soviet Energy Balance*

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The question is sometimes posed: "If the Soviet energy picture is as bleak as the CIA says it is, why haven't the Soviet leaders moved more forcefully to deal with the problem?" Allusions to difficulties encountered by other industrial nations in coping with their own energy problems tend to be dismissed with the reply that the USSR has a command-planned economy and a monolithic leadership that could and would move with dispatch if threatened with a serious prospective energy crisis.

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Politics of the Soviet Energy Balance suggests that this line of argument is off the mark. Evidence cited in the paper indicates that at least some Soviet leaders have been deeply troubled since the early 1970s by an anticipated energy squeeze. Yet they have been unable to translate this concern into sustained, effective action.

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In recent years there has not existed what could properly be called a comprehensive and operative Soviet energy program. There have been studies, recommendations, and forecasts; there have been research and development projects; and there have been compilations of one-year and five-year plan targets that have naturally involved individual capital construction projects with long lead-times. But energy production decisionmaking has not been seriously influenced by any carefully elaborated and stable "master plan." Nor have there existed operative long-term, integrated programs for attacking such key energy production problems as Tyumen oil development, offshore oil production, Tyumen gas development, or Kansk-Achinsk coal development. The process of decisionmaking with respect to these critical production areas is far more ad hoc than is customarily assumed by either Soviet propagandists or many Western analysts.

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These are the principal judgments of a recent research paper, Politics of the Soviet Energy Balance: Decisionmaking and Production Strategies, RP 79-10004, January 1979

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The reasons the Soviet leadership does not have the energy supply problem fully under control are largely systemic in character. Authority over energy production policymaking remains diffused within the Council of Ministers Presidium and Central Committee Secretariat. There is not even an administrative equivalent of our own Department of Energy. The main policy options that have been considered over the past decade as a means of guaranteeing Soviet energy supplies in the 1980s and 1990s involve major geological and technological uncertainties. Conflicting opinions among technical advisers have reinforced the inherent tendency of top leaders to seek consensus, avoid risk, and shun bold policy initiatives. Political and economic success indicators combine to produce a pervasive pattern of surprisingly short-run motivation, even at high levels in the system. This outlook has been powerfully strengthened by competing claims on resources and the enormous immediate costs of any program that looks beyond tomorrow's energy needs. Despite the high priority of energy, it has proved impossible to insulate this sector from the fundamental problems of the Soviet economy. [REDACTED]

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Throughout the 1970s there has been much vacillation and indecision in energy production policy. From a faith that the share of oil and gas in the energy balance would gradually continue to rise, Soviet authorities shifted early in the decade to the hope that a big leap in gas production might prove to be the answer; by 1975-76 a broadly based strategy (supported by Premier Kosygin) keyed to oil and gas in the present, coal in the middle term, and nuclear power in the longer term was approved as the party line; but by late 1977 policy had changed to embrace a narrower, all-out campaign simply to develop oil and gas production in Tyumen Oblast. And even the adoption of the most recent line has not stilled proponents of both the coal-nuclear and gas alternatives. [REDACTED]

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There is quite strong evidence that Kosygin, Gosplan Chairman Baybakov, and probably most Academy of Sciences energy advisers were unhappy with the way policy was abruptly altered by President Brezhnev at the December 1977 Plenum of the Central Committee. While they are

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probably prepared to acknowledge that under present conditions there is no choice but to attempt to accelerate hydrocarbon production in West Siberia, they probably fear that the current campaign will undermine the pursuit of crucial longer range goals. Signs indicate a continuing struggle by Kosygin, Baybakov, and lesser figures to raise the priority assigned to coal and nuclear power.

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The question of foreign dependency has probably become more acute with the introduction of the new party line. The strategy propounded by Kosygin and Baybakov in 1976, with its stress on nuclear power, coal, and hydroelectricity, was presented, in almost so many words, as the Soviet "Project Independence." The retreat from this strategy in December 1977 may have compromised the longrun objective of avoiding vulnerability to external pressure in energy matters.

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By playing down the immediate policy commitment to coal and nuclear power, perhaps to avoid cuts in military or agricultural spending, Brezhnev has implicitly heightened the already urgent Soviet need for a broad range of onshore and offshore oil and gas technology. More important, any slackening in the expansion of coal production and nuclear generating capacity that might come about as a byproduct of the current strategy threatens to leave the Soviet Union in the latter 1980s and in the 1990s with an extremely tight energy situation, if not a serious deficit (at least in Bloc terms). It is apparently the forbidding prospect of a loss of energy self-sufficiency, not the question of dependence on Western technology to develop Soviet resources, that has most disturbed Kosygin.

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At the moment the Soviets are engaged in a relentless struggle to maintain oil output in the key West Siberian region by increasing drilling and recovery in Samotlor and other older Tyumen deposits, and to raise the overall level of total Soviet output by opening up smaller Tyumen fields. The prospects for success are highly tenuous. Samotlor, which at present produces about one-quarter of all Soviet oil, is being driven beyond its planned capacity and will thus go downhill more rapidly when it begins to decline in several years. The small fields are in increasingly inaccessible locations, are substantially less

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productive than Samotlor, and require progressively rising investment. They are not being brought on stream as rapidly as planned or required. [REDACTED]

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The Tyumen campaign may be predicated to some extent upon the hope that one or more new supergiant oil deposits will be discovered either in the Middle Ob region or beneath the gasfields in northern Tyumen. Yet there has been a critical lag in geological exploration of the region and Soviet policymakers consequently lack a sound basis for even guessing whether major oil deposits are to be found in these locations. The presence or absence of such oil has been hotly debated. Probably a majority of Soviet experts disagree with those geologists now ascendent who guarantee (on the basis of questionable geological theories) that they can find more giant oil deposits in Tyumen, if given the resources. [REDACTED]

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The change of direction at the December 1977 Plenum of the Central Committee and the retreat from the strategy of the 10th Five-Year Plan indicate the extreme difficulty the Soviets are having in sustaining a balanced response to long-term energy development needs and short-term demands for petroleum. Without a significant increase in the share of investment going to energy production, it is difficult to see how the Soviets can do much to transform the parameters of the dilemma that now confronts them. [REDACTED]

The Soviets must make an increasingly heavy commitment of resources to oil production in Tyumen because they must have the oil; without additional investment being allocated to the energy sector as a whole, this will tend to retard progress toward either a gas- or coal-based solution to the energy problem, and delay in developing these alternatives will generate still more pressure to maintain the existing proportion of oil in the energy balance--despite the day of reckoning that must come unless a new supergiant oil province is quickly discovered. Brezhnev's speech at the November 1978 Plenum of the Central Committee suggests that energy-related investment may be given a higher priority during the remaining years of the present five-year plan. Because the physical resource demands of energy production fall heavily upon the metallurgical, machine-building, construction, and transportation sectors, pressures may mount to

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make compensatory cutbacks not only in the traditional buffer sectors of agriculture, housing, and light industry, but in military production as well. [REDACTED]

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In the future the Soviets are likely to try to revive the natural gas strategy. Provided gas reserves are even close to being as large as officially claimed, a quantum leap in Tyumen natural gas utilization would be the only way a really rapid increase in fuel production could be brought about. This approach, however, would place an acute strain on the steel and gas and oil machine-building industries. Foreign supply of credits, large-diameter pipes, and compressors might well prove to be even more critical at this juncture than at present. [REDACTED]
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